



REQUEST FOR PROPOSAL FOR AUDITING SERVICES

THE TOWN OF SURF CITY

NORTH CAROLINA

February 15, 2018

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TOWN OF SURF CITY, NC REQUEST FOR PROPOSAL FOR AUDIT SERVICES

The Town Council of The Town of Surf City (hereinafter called the "Town") invites qualified independent auditors (hereinafter called "auditor") having sufficient governmental accounting and auditing experience in performing an audit in accordance with the specifications outlined in this Request for Proposal (RFP) to submit a proposal.

There is no expressed or implied obligation for The Town of Surf City to reimburse firms for any expenses incurred in preparing proposals in response to this request.

The specific details shown herein shall be considered minimum unless otherwise shown. The specifications, terms, and conditions included with this RFP shall govern in any resulting contract(s) unless approved otherwise in writing by The Town of Surf City. The bidder consents to personal jurisdiction and venue in a state court of competent jurisdiction in Union County, North Carolina.

Type of Audit

The audit will encompass a financial and compliance examination of the Town's Financial Statements in accordance with the laws and/or regulations of the State of North Carolina, which include requirements for the minimum scope of the audit. The financial and compliance audit will cover federal, state, and local funding sources in accordance with generally accepted auditing standards; *Government Auditing Standards*, July 2011 revisions; if applicable the Single Audit Act of 1984; the Single Audit Act Amendments of 1996 and 2013; if applicable the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, the State Single Audit Implementation Act; requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, and all other applicable laws and regulations.

Period

The Town intends to continue the relationship with the auditor for no less than three years on the basis of annual negotiation after the completion of the first year contract. Each year after negotiation has taken place an annual contract documenting the terms of the audit will be signed. Since one governing board may not obligate future governing boards, the remaining years of the agreement are subject to annual governing board approval. The Town of Surf City reserves the right to request proposals at any time following the first year of this contract. Thus, prepare proposals for the following years, with Year one being the only obligated year:

July 1, 2017 to June 30, 2018

July 1, 2018 to June 30, 2019

July 1, 2019 to June 30, 2020

Audit Requirements

The audit must be conducted in accordance with generally accepted auditing standards; *Government Auditing Standards*, July 2011 revisions issued by the Comptroller General of the United States; the State Single Audit Implementation Act of 1996, the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, if necessary, requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, and any other applicable procedures for the audit of a government's financial statements prepared in accordance with GAAP.

The Town staff will prepare all standard year-end accruals and other adjusting journal entries. The Auditor will prepare the government wide year-end adjusting journal entries as well as any necessary entries to allocate the state pension balances. The Town does not have Other Post-Employment Benefits, therefore no OPEB entries are necessary. The Town management will ultimately be responsible for the preparation and fair presentation financial statements, which includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements, however the Town will need the assistance of the auditor for the preparation, typing, proofing, printing, and copying of the Basic Financial Statements, supplementary information and compliance reports. The Finance Director will prepare the MD&A. The auditor will submit a draft of the Financial Statements to be reviewed in detail by the Finance Officer. This draft should be submitted to The Town of Surf City in time to allow ample review and corrections. **The timing of this should insure final completion of the Financial Statements no later than the annual October 31st state deadline.**

The Town of Surf City prefers interim fieldwork be completed in May or early June. Year-end fieldwork should begin in late August and be completed by or before September 20th. While many documents can be shared electronically, the Town expects that the audit firm staff will be onsite for fieldwork, including manager and partner level staff for at least a portion of the onsite work. The Finance Officer will expect a listing of requested information needed for the audit at the preplanning conference, periodic conferences during the conduct of the audit, as well as an exit conference prior to the completion of fieldwork. An agreed upon post-closing trial balance must be prepared and a preliminary draft of the audit and required journal entries must be submitted to the Finance Director by **October 1** for proofing and reconciliation to the Town's records.

The audit must be completed and reports submitted to the State four months following the fiscal year end (October 31).

The auditor is responsible for submission of the required reporting to the staff of the Local Government Commission (LGC). Ten bound copies of each audit report, management letter, and other applicable reports must be supplied to the Town. Any other copies required will be charged on an as needed basis in addition to the quoted fee.

The financial audit opinion will cover the financial statements for the governmental activities, the financial statements of the aggregate discretely presented component unit, each major fund,

and the remaining fund information, which collectively constitutes the basic financial statements. The combining and individual financial statements, schedules, and related information are not necessary for fair presentation, but will be presented as additional analytical data. This supplemental information, as required by GASB 34, will be subjected to the tests and other auditing procedures applied in the audit of the basic financial statements, and an opinion will be given as to whether the supplemental information is fairly stated in all material respects in relation to the basis financial statements taken as a whole. The auditor shall also express an opinion on the budgetary comparison information for the general fund, the major funds, and any annually budgeted special revenue funds.

The working papers shall be retained and made available upon request for no less than three years from the date of the audit report.

In the event that circumstances arise during the audit that require work to be performed in excess of the original estimates, any additional costs will be negotiated prior to commencement of the work and an amended contract will be approved by the governing board and forwarded to the staff of the LGC for approval.

Audit Contract & Payment of Audit Fees

The audit contract must be approved by the staff of the Local Government Commission. Invoices are subject to approval by the LGC staff prior to processing by the Town. Interim or progress billings will be accepted up to 75% of the total fee prior to submission of the audited financial statements to the staff of the Local Government Commission and their approval of the audited financial statements.

Other Services

The auditor will prepare, type, and print the Financial Statements. The auditor will submit a draft for review by the Finance Director. The Finance Director will return the draft with proposed revisions within 10 working days.

Description of Selection Process

Proposals must be submitted in two sections & separate sealed packages. The first section will be comprised of the audit firm's prior experience and qualifications of its personnel in performing governmental audits.

The Town audit selection committee, consisting of three staff members and the Town Manager, will independently review and rate all proposals in order to select one firm to recommend to the Board. Therefore, **FIVE** copies of the first section of the proposal and one copy of the second section should be submitted at the time and place indicated under the section entitled "Time Schedule for Awarding Contract."

The selection committee will evaluate and rate each auditor/firm on educational and technical qualifications first, prior to reviewing the cost section. The proposals from the top five firms rated from review of the first section will have their second section opened and evaluated. The

firm best meeting The Town of Surf City expectations for experience, audit approach, and cost requirements will be selected.

THE LOWEST BID WILL NOT AUTOMATICALLY BE AWARDED PREFERENTIAL CONSIDERATION. Cost, while an important factor, will not be the sole determining factor.

The Town of Surf City requests that no Town of Surf City officials be contacted during this process. The Finance Officer may be contacted only to clarify questions concerning the RFP.

The Town reserves the right to reject any or all bids, waive technicalities, and to be the sole judge of suitability of the services for its intended use and further specifically reserve the right to make the award in the best interest of the Town.

Failure to respond to any requirements outlined in the RFP, or failure to enclose copies of the required documents, may disqualify the bid.

Time Schedule for Awarding the Contract

The request for proposal will be distributed and posted by **February 20, 2018**.

Please acknowledge the receipt of this request for proposal and your intent to respond with a proposal by **February 27, 2018**.

Proposals signed by authorized officials will be received by Ashley Loftis, Finance Director at 214 N. New River Drive, P.O. Box 2475, Surf City, NC. 28445 until **March 27, 2018** at 2:00 p.m. Envelopes containing proposals should be clearly identified on the front with the words "RESPONSE TO RFP FOR AUDIT SERVICES". Please be sure you separate the two sections into two separate, sealed envelopes.

The Town selection committee will review the proposals and make a recommendation to the Town Board on **April 11, 2018** at which time the contract will be awarded.

Please find the fiscal year 2017 Financial Report on the Town of Surf City Website: www.SurfCity.com.

The Town will not be holding a pre-proposal, any questions should be directed to:

Ashley Loftis
aloftis@townofsurfcity.com
(910)328-4131 x 102

Size and Complexity of Town

Personnel/Payroll

Number of employees	88 FT, 14 PT
Frequency of payroll	Bi-weekly –In-house
Number of payroll direct deposit advises	95 Bi-weekly- In-house

Property Tax

Number of tax bills issued (without motor vehicles)	8,350 bills
Amount of Fiscal Year 2017 Property Tax collected	\$5,538,074
Total dollar amount of levy Fiscal Year 2018	\$5,678,637
Motor Vehicles billed and collected by DOR	\$ 304,073

Water & Sewer

Number of utility bills issues	4,000 bills
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Sanitation

The Town contracts and pays an outside vendor to collect waste and recycling.
There is a \$25 charge to residents.

Purchasing

Number of purchase orders issued	300
Number of bank accounts	7
Number of escrow accounts	none
Average monthly activity in main accounts	
Number of deposits (Central Depository)	155
Number of checks:	
Central Depository	225

Management Information Systems

Number of PCs on the premises	13
Number of employed programmers capable of modifying the operating system and the applications programs	none

The following financial applications are on the financial computer system:

- General Ledger
- Accounts Payable
- Accounts Receivable
- Tax Billing & Receivable
- License Billing (Beer & Wine and Peddler's Licenses)

The following applications which are the source of some financial data are on a separate computer system:

- Permit Management / Building Inspection

Description of the Governmental Entity and Its Accounting System

Entity

Town of Surf City is a very quickly growing municipality in North Carolina with a permanent population of approximately 2,000 and a seasonal population of approximately 25,000.

Funds

The Town of Surf City maintains the following funds and has the following budgets:

FUNDS:	Budgeted Expenditures FY 2018
GOVERNMENTAL FUNDS:	
General Fund	\$9,598,442
ENTERPRISE FUNDS:	
Water & Sewer	\$4,712,250
Special Revenue Funds:	
Accommodation Tax Fund	\$1,075,000
Capital Projects Funds:	
Beach Nourishment Fund	\$11,551,934
Capital Reserve Fund	\$140,000
Sidewalk Capital Project Fund	\$10,000
Community Center Fund	\$1,076
Disaster Recovery Fund	\$745,000
Town Hall Capital Project Fund	\$12,521
Permanent Funds: None	
Proprietary Funds: None	
Agency Funds:	
Fines and Forfeitures Fund	\$7,955

Grants and Single Audit Requirements

The Town currently does not have any grants in process during the fiscal year that would be expended over several fiscal years. Town does not expect to expend over \$750,000 in Federal Awards or exceed \$500,000 in State Awards for the year ended June 30, 2018.

Debt

The Town currently has three capital leases for various vehicles and equipment. The Town also has long-term debt obligation for the purchase of facilities and water/sewer infrastructure. The Town has issued a bond through USDA in the current fiscal year.

Budgets

The Town budgets all funds on the modified accrual basis of accounting as required by North Carolina law. Appropriations are made at the functional level. The Town also maintains an encumbrance system. Both the budgetary and encumbrance systems are integrated with the accounting system to provide easy comparison with actual expenditures

Accounting Records

The Town of Surf City maintains all its accounting records at the finance office located at 214 N. New River Drive, Surf City, NC. The Town maintains its cash receipts journal, cash disbursements journal, general ledger, and accounts receivable ledger on an in house server. The financial software is MCSJ, by Edmunds & Associates. The Town has a separate software system that is used to record permits and fees. The two systems are not integrated and receipts from the permitting system, FLIP, are recorded into the financial software by journal entry.

Assistance Available to Auditor

The Town will make available to the auditor all records electronically or in paper, and prepare and mail all necessary confirmations. A trial balance with budgeted amounts will be made available via Excel (or hard copy, e-mail, etc.) by Friday September 4, 2018. The following accounting procedures will be completed and documents prepared by the Town's staff no later than Friday, September 4, 2018:

- The books of account will be fully balanced.

- All subsidiary ledgers will be reconciled to control accounts.

- All revenue and expenditure accruals will be made for the fiscal year ending June 30.

- All bank account reconciliations for each month will be completed.

The Town's personnel will prepare or provide the following items:

General

- Working Balance Sheet for each fund.
- Working Statement of Revenues, Expenditures, and Transfers for each fund.
- General Ledger transaction detail report for each account.
- A copy of the original budget, all amendments, and the final budget as of June 30, 2018.
- A copy of all project ordinances and all amendments for active projects during the audit period.
- A copy of the operating and capital lease schedules itemizing contracts in force during the audit period.
- A copy of all policies.
- Copies of all correspondence with the staff of the Local Government Commission, including semiannual Cash and Investment Reports (LGC-203), Town letters, faxes regarding the audited financial statements and compliance reports for the previous year.
- Required supplementary information, e.g. actuarial information of the Law Enforcement Officers' Separation Allowance

Cash and Investments

- All bank reconciliations for each month.
- List of outstanding checks by account, showing check number, date, and amount.
- Schedule of all investments for all funds at the audit date, showing book value and estimated market value at fiscal year end.

Receivables

- Listing of unpaid tax bills in detail totaled by year as of fiscal year end.
- Listing of outstanding receivables by fund and account as of the fiscal year end.

Other Assets

- Schedule of insurance coverage.

Capital Assets

- Printout of all capital asset acquisitions made during the audit year.
- Printout of all capital asset dispositions made during the audit year.
- Worksheet reconciling the Capital Assets worksheets to the government-wide statements.
- Calculation of depreciation expense posted for the audit year.

Current Liabilities

- Schedule of accounts payable.

Long-Term Debt

- Computation of vested vacation payable as of the audit date.
- Debt Schedule for the long term debt issue and related payments.

Grants

The following will be compiled for each grant:

- Grant agreement.
- Budgets for all grant funds.
- All financial reports for grant funds.
- Correspondence with the grantor agency, including monitoring reports.
- CFDA # and/or pass-through grant #.

Other Information

- The Town has no grantor agency that requires any additional statements or schedules at this time, and the Town requires no additional statements or schedules at this time.
- The Town does not collect property taxes for any other entities.
- The Town does not plan on issuing a Comprehensive Annual Financial Report.

Contact information:

Name: Ashley Loftis
Title: Finance Director
214 N. New River Drive
Surf City, NC. 28445

Phone: (910)328-4131 x 102

Email: aloftis@townofsurfcity.com

Proposal - First Section

The first section of each proposal should address the requested information below. The corresponding responses should begin with the number below for the requested information.

1. Indicate the number of people (by level) located within the local office that will handle the audit.
2. Provide a list of the local office's current and prior government audit clients, indicating the type(s) of services performed and the number of years served for each. **Firms that do not have any current municipal audit clients serviced by the proposed office will not be considered.**
3. Indicate the experience of the local office in providing additional services to government clients by listing the name of each government, the type(s) of service performed, and the year(s) of engagement.
4. Describe your audit organization's participation in AICPA-sponsored or comparable quality control programs (peer review).
5. Provide a copy of the firm's current peer review.
6. Describe the professional experience in governmental audits of each senior and higher level person that will be assigned to the audit, the years on each job, and his/her position while on each audit. Indicate the percentages of time each senior and higher-level personnel will be on site.
7. Describe the relevant educational background of each person assigned to the audit, senior level and higher. This should include seminars and courses attended within the past three years, especially those courses in governmental accounting and auditing.
8. Describe the professional experience of assigned individuals in auditing relevant government organizations, programs, activities, or functions.
9. Describe any specialized skills, training, or background in governmental finance of assigned individuals. This may include participation in State or national professional organizations, speaker or instructor roles in conferences or seminars, or authorship of articles and books.
10. Provide names, addresses, and telephone numbers of personnel of current and prior governmental audit clients who may be contacted for a reference.
11. Describe the firm's Statement of Policy and Procedures regarding Independence under Government Auditing Standards (Yellow Book), July 2011 Revision. Provide a copy of the firm's Statement of Policy and Procedures.

12. Is the firm adequately insured to cover claims? Describe liability insurance coverage arrangements.
13. Describe any regulatory action taken by any oversight body against the proposing audit organization or local office.
14. Type of audit program used (tailor-made, standard government, or standard commercial).
15. Assistance expected from the Town staff, if other than outlined in the RFP.
16. Tentative schedule for completing the audit within the specified deadlines of the RFP.
17. Please list any other information the firm may wish to provide.

Proposal - Second Section

Proposals should include completed cost estimate sheets as described below and any other necessary cost information in a **separate, sealed** envelope marked – “Cost Estimate.” The Town plans to evaluate the qualifications of all firms submitting proposals before considering the cost estimates.

This second package should consist of a cost estimate, which will include the following information:

1. Specify costs using the lettered and numbered format below for the audit year July 1, 2017 to June 30, 2018. For the two audit years which follow, list the estimated costs. The cost for the audit year ending June 30, 2018 is binding, while the second and third years are estimated costs. Cost estimates must indicate the basis for the charges and whether the amount is a “not-to-exceed” amount. Unusually low bids that are out of line with other bidders or are significantly lower than our current fees may raise concern.
 - A. Personnel costs – Itemize the following for each category of personnel (partner, manager, senior, staff accountants, clerical, etc.) with the different rates per hour.
 1. Estimated hours – categorize estimated hours into the following:
on-site interim work, year-end on-site work, and work performed in the auditor’s office.
 2. Rate per hour.
 3. Total cost for each category of personnel and for all personnel costs in total.
 - B. Travel – itemize transportation and other travel costs separately.
 - C. Cost of supplies and materials – itemize.
 - D. Other costs – completely identify and itemize.
 - E. If applicable, note your method of determining increases in audit costs on a year to year basis.
 - F. Please list any other information the firm may wish to provide.

Also include a summary of the above costs in order to provide the total amount proposed for the Fiscal Year 2018 audit. Please see Summary sample attached.

SUMMARY
AUDIT COSTS SHEET

1. Base Audit

Includes Personnel costs, travel, and on-site work \$ _____

2. Financial Statement Preparation \$ _____

3. Extra Audit Service

\$ _____ Per hour \$ _____

4. Other (explain)

_____ \$ _____

5. Other (explain)

_____ \$ _____

TOTAL Amount for Fiscal Year 2018 Audit: \$ _____